

September 25, 2009 - Air Force Resumes Tanker Contest

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Competing Boeing and Northrop-Airbus Bids Are Expected in Third Round

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The Air Force on Thursday launched a fresh attempt to buy \$40 billion of aerial refueling tankers after two previous efforts collapsed amid controversy.

The politically charged contract to replace the Air Force's aging fleet of tankers -- with an average age of close to 50 years -- will likely garner competing bids from Boeing Co. and a joint Northrop Grumman Corp. and Airbus team. Both were bidders in the previous round, where Boeing successfully protested the award of the contract to the Northrop team in February 2008.

The contract is already under a political microscope in Washington, where politicians have been gearing up for a fierce fight over the project.

Both

sides have a lot at stake. A win for Boeing could breathe new life into its 767 jetliner program, which was the aircraft proposed in its previous bid. If Northrop and Airbus emerge victorious, it could lead to the establishment of Airbus's first manufacturing beachhead in the U.S.

Airbus

is a unit of European Aeronautic Defence & Space Co.

"What

the Air Force presented today is a much clearer and more definitive bid than we had the last time, where there was a lot of wiggle room that ended up in trouble," said Sen. Patty Murray (D., Wash.), an ardent Boeing backer.

Pentagon

officials envision scrapping many of the most contentious elements of the previous contract selection, such as paring down a list of requirements from about 800 to 373. "This time...we will be objective and crystal clear about how the winning [bidder] will be selected," according to a briefing document given to U.S. lawmakers Thursday.

Senior

Pentagon officials briefed U.S.

lawmakers Thursday on the Air Force's new plans. The Air Force for now isn't taking into account an interim ruling by the World Trade Organization that Airbus has received illegal subsidies from the European Union.

"We've

crafted this approach to favor no one except the warfighter and the taxpayer," Ashton Carter, the Pentagon's top weapons buyer, said during a media briefing.

Given

the fiscal pressures on the Pentagon and Defense Secretary Robert Gates's preference for simpler and less-expensive weapons, price will be critical yet it won't be the sole criterion. The first 64 jets and four test airplanes will be bought by the government at a fixed price and future increases will be capped. Costs matter, too, including how much construction work will be needed

at certain bases to accommodate new planes and how much fuel they burn. The Air Force plans to buy 179 planes at a rate of about 15 a year.

One of the biggest challenges will be for the Air Force to account for the different sizes and fuel-carrying capacities of the Boeing and Airbus jets in a way that each doesn't feel they were treated unfairly.

Boeing has said it may also propose its larger 777 aircraft if it best meets the Air Force's requirements. Northrop is offering a militarized version of the Airbus A330.

The replacement of the Air Force's fleet of roughly 500 KC-135 and KC-10 refueling tankers is an urgent priority given how dependent U.S. airpower is on the ability to fly long-distance missions by refueling in midair.

A spokesman for Boeing said "our highly experienced Tanker team is focused on [Friday's] expected release of the U.S. Air Force's Tanker Draft RFP and ready to review it in great detail."

After Thursday's briefing, the government will publicly release a draft request for proposal on Friday. This begins a process that officials hope will result in a winner picked next summer. Delivery of the planes is expected to begin in 2015.

Rep. John Murtha (D., Pa.), chairman of the House Appropriations Defense Subcommittee that helps mind the Pentagon's purse strings, wants to speed that rate up to 36 a year. It is unclear where such funding would come from.

Lawmakers and the contractors have 60 days to review the draft request for proposal, which will then be changed if needed by the Air Force. Once the final request for proposal is released, the companies have 60 days to respond. A winner is

likely to be announced 150 days after that, according to the briefing document.